

STATINTL

LETTERS TO THE EDITOR

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In closed session on the Hill and in private conversations in the executive branch over the past several months, I have laid great stress on the vital importance of sustaining and building on the bipartisan approach to oversight firmly established under the leadership of Sen. Daniel Inouye and Rep. Edward Boland and strongly supported in their minority roles by Sen. Barry

Goldwater and Rep. Kenneth Robinson, beginning in 1976. A non-political approach to the intelligence community by the executive branch is a critical element in support of that necessary congressional bipartisan oversight. Some signs of fraying have been visible from both branches in the last few months, which has prompted increasing worry from this professional intelligence officer. Certainly the spirit of bipartisan fairness in oversight was superbly demonstrated in the Senate Select Committee hearing on July 29 into allegations against Mr. Casey.

But constant attention to this need will be mandatory from executive branch and congressional officials alike if we are to have any prospect of keeping focus where it belongs on the critical rebuilding of the capabilities of the U.S. intelligence community after a long decade of drawdown of manpower and real dollar investment.

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Admiral, U.S. Navy,

Deputy Director of Central Intelligence

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THE BALTIMORE SUN
29 July 1981

Opposition to CIA chief Casey seems to ease after panel meets

By Curt Matthews
Washington Bureau of The Sun

Washington—Opposition to William J. Casey as director of central intelligence appeared to ease slightly yesterday after members of the Senate Select Committee on Intelligence spent three hours reviewing the allegations against him.

Mr. Casey has been under pressure to resign because he placed a potential security risk, Max Hugel, in charge of clandestine operations at the CIA, and because he was involved in questionable stock transactions before his own appointment as head of the agency.

After yesterday's intelligence committee meeting, Senator Barry M. Goldwater (R, Ariz.), the chairman, said the decision to keep Mr. Casey in his job rests with President Reagan, not members of the Senate.

Mr. Goldwater, one of Mr. Casey's sharpest critics in recent days, did not restate his earlier insistence that Mr. Casey should step down.

Asked if he thought Mr. Casey would resign, Mr. Goldwater said: "No. The president has said that Mr. Casey is going to continue, and Mr. Casey is a creature of the president. . . . It's not up to us."

He added that he thought Mr. Reagan "has the right to do what he wants."

Asked if he still thought, as he announced last Thursday at a late evening press conference, that the 58-year-old Mr. Casey should "retire," Mr. Goldwater said: "[Mr. Casey] is a creature of the president, and the president has pretty much usurped anything I say or do."

At the invitation of the intelligence committee, Mr. Casey will appear today in a closed session to explain his personal finances and the circumstances of the hiring of Mr. Hugel.

Mr. Goldwater said Mr. Casey was being given a list of questions well before the hearing, but the senator would not outline them publicly. Mr. Casey said he received the questions yesterday afternoon.

A committee source told the Associated Press that some of the latest questions concerned Mr. Casey's reported legal representation in 1977 of a New Jersey waste disposal system with alleged ties to organized crime.

The White House yesterday gave Mr. Casey another vote of confidence, carefully limiting it to the facts now known about the CIA director.

President Reagan's chief of staff, James A. Baker III, said, "The president has made it clear that he has seen nothing so far that would cause him to change his mind about Bill Casey, and that he continues to support Bill Casey."

It was the possibility of a scandal rooted in stock mar-

ket dealings that forced Mr. Hugel to resign abruptly on July 14. Critics of Mr. Casey say he should have checked Mr. Hugel's background more closely before insisting that he be given one of the most sensitive jobs in government.

Several members of the intelligence committee have indicated they are withholding judgment on Mr. Casey's role in the Hugel matter until they have heard the director's sworn testimony.

Senator Daniel P. Moynihan (D, N.Y.), the committee's ranking minority member, appeared with Mr. Goldwater after yesterday's session and restated his concern about the allegations against Mr. Casey. However, he is among a number of Democrats who have avoided a partisan confrontation over Mr. Casey pending further investigation.

Mr. Goldwater said it appeared that the intelligence committee's probe of Mr. Casey will go on at least a week and may extend into the month-long congressional recess that is due in early August.

If the probe is not concluded before the recess, Mr. Casey may operate under a cloud at the CIA until early September—a prospect not welcomed by him or by White House officials.

In the last few days, Mr. Casey has conducted a vigorous campaign to keep his job. He has been meeting privately with members of the intelligence committee, making his case before employees at the CIA and on Sunday gave the intelligence committee a 2-foot stack of documents relating to the allegations against him.

Commenting yesterday on the materials provided by Mr. Casey, Senator Richard G. Lugar (R, Ind.), a member of the committee, indicated they offered "new details" about Mr. Casey's business dealings.

Mr. Lugar would give no details of the materials, saying only that they do not suggest "character defects or a fitness to serve. . . ."

Various people who reviewed a report prepared by the intelligence committee staff from the materials provided by Mr. Casey say it deals primarily with issues that are already the focus of the controversy—Mr. Casey's involvement in a now defunct farming firm called Multiponics and the selection of Mr. Hugel for a job at the CIA.

Despite yesterday's indications that Mr. Casey may be able to weather the controversy that arose when Mr. Hugel resigned, at least three names of possible successors have been discussed by Republicans in Congress.

One is Adm. Daniel J. Murphy, chief of staff for Vice President Bush and a former intelligence officer. Another is Laurence Silberman, a San Francisco lawyer who served briefly as chief of the Reagan transition team at the CIA and also was deputy attorney general in the Nixon and Ford administrations. The third name being mentioned is Adm. Bobby R. Inman, deputy CIA director.

CASEY SEEKS CURBS ON EX-C.I.A. AGENTS

Says a Review of Contracts Is
Needed to Bar Disclosures

By STEVEN R. WEISMAN
Special to The New York Times

WASHINGTON, July 28 — William J. Casey, the Director of Central Intelligence, has ordered a review of C.I.A. contracts to develop what he called "additional protections" against the transfer of technology and information by former agents to such countries as Libya and the Soviet Union.

In the text of an 11-page speech prepared for delivery to the Central Intelligence Agency's employees, Mr. Casey specifically referred to the recent episode in which two former agents, Edwin P. Wilson and Frank Terpil, used their agency connections to travel to Libya to train terrorists and transport explosives there illegally.

Mr. Casey said that Stanley Sporkin, the C.I.A.'s general counsel, "is reviewing our contracts to develop additional protections against the kind of moonlighting and use of our contractors and technology which occurred in the Wilson-Terpil situation."

The purpose of Mr. Casey's speech

was to reassure the agency's employees that he intended to weather the current controversy over his past financial practices and management of the agency, which have led to calls for his resignation by three key Republican Senators, including Barry Goldwater, Republican of Arizona, chairman of the Senate Intelligence Committee. Today, the committee said that it had asked Mr. Casey to testify tomorrow about his financial dealings and management of the agency.

In the speech, Mr. Casey said he had taken and would take several steps to improve the agency's operations.

Asserting that past intelligence estimates had not reflected "the full range of threats which our policy makers need to protect against," he said that he had, on occasion, refused to accept estimates prepared by agency analysts. He said that estimates prepared on Africa and Latin America, specifically, had "not addressed Soviet interests, activities and influence."

Assails Intelligence Reports

In the past, Mr. Casey said, agency estimates had failed to address these aspects. "Worse still," he continued, "I have seen drafts of estimates prepared a year or more ago by analysts in this building which accurately predicted what has happened in Nicaragua and Cuba's new aggressive policies in Central America at a time when those developments certainly should have been carefully considered."

"Sadly," said Mr. Casey, "these analytical insights were strangled in the clearance and coordinating process so that they did not reach policy makers in a national estimate. I intend to see that that does not happen as long as I am D.C.I."

The issue of intelligence estimates have long stirred debate among experts. Previous C.I.A. directors, including Mr. Casey's predecessor, Adm. Stansfield Turner, have been accused of altering certain assessments to reflect their views or those of their Administrations.

ports that Mr. Casey, for example, rejected a C.I.A. draft assessment on terrorism that, according to intelligence officials, failed to conclude that the Soviet Union was directly involved in fomenting international terrorism.

In his speech, Mr. Casey said he had "revised timetables and procedures for doing national estimates to get them out more quickly, making them more crisp and more relevant to policy needs."

Mr. Casey also said he had moved to improve coordination between the intelligence community and policy makers. He said that both he and his deputy, Adm. Bobby R. Inman, were now having weekly breakfast meetings with Secretary of State Alexander M. Haig Jr. and Defense Secretary Caspar W. Weinberger, and "regular meetings" with President Reagan and the National Security Council.

Hugel Affair Mentioned

Some of Mr. Casey's remarks related to a reorganization of the agency's clandestine operations that led to his original selection of Max C. Hugel as director of clandestine operations. Mr. Hugel resigned two weeks ago after former business associates accused him of financial misconduct. Mr. Hugel denied the charges. The ensuing controversy helped create questions about Mr. Casey's judgement among members of the Senate intelligence panel.

Mr. Casey acknowledged in the speech that the Hugel episode had "turned out badly."

Washington Whispers.

STATINTL

Time Running Out on CIA's Casey? ...

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White House aides are suspicious that reporters got wind of a 2-month-old court ruling against Casey at the same time they were tipped to allegations of improper business dealings by his deputy, Max Hugel. Conclusion by some presidential advisers: Both men made bitter enemies within the CIA itself, and these foes leaked the matters to the press.

New Setback for CIA —And More to Come?

Sudden departure of a controversial spy master is sparking probes of the agency's security system—and even of the top man himself. The upshot could pose a problem for Reagan.

The nation's secret intelligence organization is caught up in a new and damaging crisis—just as it was showing signs of recovery from six years of scandals and turmoil.

Triggering the crisis: The forced resignation on July 14 of Max Hugel as the Central Intelligence Agency's spy master. He quit as chief of clandestine operations only hours after publication of allegations of improper and possibly illegal business practices.

The ramifications of the crisis go far beyond the immediate issues involved in the Hugel resignation.

CIA Director William Casey himself is under a cloud, with his future as director of the nation's intelligence operations in doubt. His judgment and qualifications for the top intelligence job are being challenged.

Lengthening shadow. Compounding the doubts about Casey's future at the CIA are disclosures that he, too, is accused of engaging in questionable business activities.

A federal court, it transpires, recently ruled that he was guilty of knowingly participating in a misleading investment offering. Another court found that Casey and other directors of a

company had driven their firm "deeper and deeper into debt." Casey denies responsibility for these actions and is appealing.

Beyond the controversy over the leadership of the CIA, there is widespread concern about the agency's security system, which gave Hugel clearance to become chief of clandestine operations, the most sensitive post in the intelligence community. This system is supposed to weed out misfits and "moles," enemy agents who seek to penetrate the country's espionage apparatus.

As a result, what appeared to be a successful drive to rebuild the morale and credibility of a battered CIA has suffered a setback.

Tape recordings. The rapid-fire chain of events that led to the latest CIA crisis was sparked by publication in the *Washington Post* on July 14 of allegations that Hugel was involved in stock transactions in the 1970s that were improper and perhaps illegal.

The accusations were made by two brothers, Thomas and Samuel McNell, who were the principal brokers handling the stock of a company that was then run by Hugel. They provided

tapes of conversations to substantiate their charges.

The brothers alleged that Hugel sought to manipulate the price of stock of his firm by giving them "insider" information and by providing funds to buy his firm's securities. According to the charges, the scheme failed, and relations between Hugel and the McNell brothers deteriorated into bitter feuding. One of the McNell tapes contained a claim by Hugel that the brothers were attempting to blackmail him.

The controversial spy master insists that the charges against him are "unfounded, unproven and untrue."

Strategy's goal. The bombshell confronts the Reagan White House with a major test in crisis management. To deal with it, the President's aides have mounted a "damage limitation" operation, which so far has been relatively successful in minimizing embarrassment to Reagan.

Aim of the White House strategy: Demonstrate that the Hugel affair is a Casey problem, not a Reagan problem.

White House Communications Director David Gergen went out of his way to stress that it was Casey who selected Hugel, saying: "As you know, Mr. Hugel was not nominated by the President."

At the same time, Reagan's advisers moved with extraordinary speed to guarantee that the problem was liquidated and so avoid the risk of creating a Reagan version of Jimmy Carter's "Bert Lance albatross."

Reagan's aides are attempting to dismiss the affair as a minor aberration that is over and done with. As Gergen put it: "As far as the White House is



concerned, this matter is closed." That, in the view of political observers, may prove to be wishful thinking.

Already the Senate Intelligence Committee has launched a preliminary investigation of the CIA's Office of Security and its handling of the Hugel screening. The panel is also looking into alleged financial misconduct by Hugel and Casey.

And the Senate Judiciary Committee may undertake an inquiry into Casey's past business activities, if some members get their way.

What disturbs some congressmen as well as former top intelligence officials is what they call the "politicization" of the CIA. From the outset of the Reagan administration, they have been privately critical of the appointment of Reagan's 68-year-old campaign manager as boss of a deeply troubled intelligence community that required dynamic leadership.

The CIA, says Senator Patrick Leahy (D-Vt.), "is not a place to pay off campaign debts."

Opposition to Casey in Congress was blunted by the appointment of the nation's foremost professional intelligence expert as his chief deputy, Adm. Bobby Inman. In fact, Inman, former chief of the National Security Agency, was favored by many on Capitol Hill for the top CIA job. He is seen as the obvious successor if Casey is forced out.

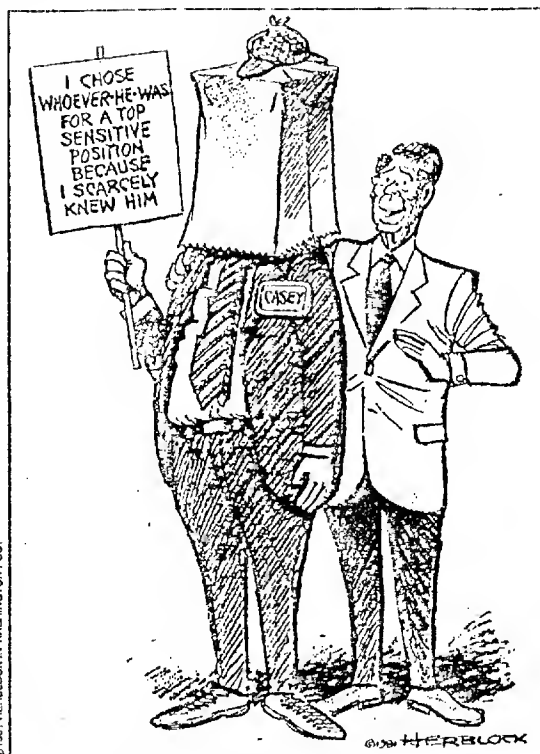
Criticism that the CIA was being politicized surfaced again after Casey in mid-May promoted Hugel, one of his political campaign helpers with no previous intelligence experience, to control clandestine operations.

Defending the candidate. In the face of almost universal opposition from intelligence professionals and White House aides, the CIA director went directly to the President to win approval of Hugel's appointment.

Says a congressional aide associated with the intelligence committees: "Hugel had no visible qualifications for the job. An untested person should never be put in that sensitive position."

Casey defended the appointment, praising Hugel as uniquely qualified for the job of managing all covert actions and clandestine intelligence-gathering operations overseas. In a letter to the *New York Times*, the CIA director said of his choice as spy master that "his drive, clarity of mind and executive ability would... offer the best way to both strengthen and effectively run the directorate."

The inference was widely drawn that the CIA director wanted a trusted



"We have complete confidence in what's-his-name here."

and close associate in the sensitive job. But when Hugel was forced to resign, Casey denied Hugel's claim that the two had known each other for 20 years. He said that he had been acquainted with Hugel for only 17 months.

In replacing Hugel, Casey has appointed the career officer recommended for the post initially: John H. Stein, a 48-year-old CIA veteran with 20 years' experience in covert operations.

No less disturbing than the alleged politicization of the CIA, in the view of many in Congress, is the apparent breakdown of the CIA's security-clearance system in its screening of Hugel. On this score, too, questions are being raised concerning Casey's role.

Incomplete picture. Ordinarily, officials say, a security investigation, especially of a candidate for a sensitive CIA job, requires months. In Hugel's case, the inquiry was rushed through in a week, and possibly less.

The investigation was begun on January 14, and by January 21 he was given full clearance. During that period, agents for the CIA's Office of Security conducted 28 interviews. The picture that emerged was of a "workaholic" who had amassed a fortune as a feisty and hard-driving businessman.

With the exception of reports of brief marital difficulties, no derogatory information surfaced from the inquiry or from a lie-detector test, which is a routine part of the intelligence agency's clearance procedure.

Surprisingly, the investigators failed to discover the McNell brothers, although one of them claims that he tried unsuccessfully to contact the White House to pass along the information he had concerning Hugel's questionable business activities.

Nor did Hugel himself inform the security agents of his conviction that the McNell brothers had attempted to blackmail him. His explanation was simply: "I didn't think it was a reportable event."

Intelligence experts say a key rule in the espionage trade is that the slightest hint of blackmail must be reported immediately to security authorities.

Following orders. Why was the Hugel security investigation rushed through so quickly? No explanation has yet been offered. But a former CIA director makes this point: "The security people work for the director. If he expresses his interest in getting quick clearance for a personal choice, that must have an effect."

The major issue at the heart of the latest CIA crisis involves Casey's judgment—in appointing Hugel against the virtually unanimous advice of intelligence experts, in condoning if not encouraging an inadequate security screening, in failing to inform the congressional intelligence committees of the charges against Hugel and in failing to move against his onetime campaign aide until charges of shady dealings made headlines.

The White House insists that Reagan retains "full confidence" in Casey. But a top White House aide concedes that the President's advisers are keeping their fingers crossed. They worry about the prospect of more embarrassing surprises growing out of Casey's role as defendant in several lawsuits stemming from his past business activities.

"If," says the White House aide, "there is a series of lawsuits showing a pattern of illegal dealings that he was caught in, then that would be serious."

Even without such a pattern, there is growing speculation that Casey's effectiveness has been critically compromised and that the President is likely to find his retention as chief of the nation's intelligence operations an increasing embarrassment.

That judgment is reflected in a *Chicago Tribune* editorial in these words: "Whether Mr. Hugel or Mr. Casey committed any improprieties in their private business dealings, they are the wrong men to run U.S. espionage." □

By JOSEPH FROMM

Washington Whispers.

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U.S. NEWS & WORLD REPORT
27 July 1981

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NEWSWEEK

27 July 1981

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NATIONAL AFFAIRS

Reagan's CIA Troubles

When a bantamweight businessman named Max Hugel was put in charge of cloak-and-dagger for the CIA, veterans of the intelligence agency were shocked. The Brooklyn-born Hugel had only one real qualification for the super-sensitive post of deputy director for operations: a connection with CIA Director William J. Casey, with whom he had worked in Ronald Reagan's Presidential campaign. So when Hugel resigned last week, just hours after the appearance of a newspaper story charging him with past financial improprieties, the fallout settled mostly on his CIA boss. Casey had other problems: two judges, it turned out, had cited him for dubious financial dealings—and suddenly the Reagan Administration had a potential political liability on its hands.

For the record, White House officials insisted they had full confidence in the ruffled, mumble-prone Casey, a former Securities and Exchange Commission chairman and Under Secretary of State for Economic Affairs. But chairman Barry Goldwater of the Senate intelligence committee ordered a staff investigation of Casey's business dealings, and other members were pressing for a full-bore examination of Casey's career, of his judgment in bringing Hugel to the CIA and of agency security procedures that failed to red-flag Hugel's past. Top Reagan aides conceded privately that a formal inquiry—or more disclosures about Casey in the press—could make the director's position untenable.

Neophyte: Ironically, one of Casey's principal goals had been to lower the CIA's profile and strengthen its authority and credibility after the embarrassments of recent years. But Casey brought at least one new problem with him to the agency in the person of Max Hugel—a toupee-topped former importer of Japanese sewing machines and typewriters. Hugel joined the Reagan team last year in New Hampshire as a political neophyte carrying the endorsement of powerful publisher William Loeb. Hugel quickly impressed Casey with what other top campaign aides thought were "harebrained" schemes to mobilize volunteers and voters. He was "a bull in a china shop," one Hugel worker recalled. "People who saw him in action would say, 'Christ, you

gel and moved him through several posts before putting him in charge of top-secret intelligence gathering and clandestine operations. He saw Hugel's background in business overseas as useful in arranging "cover" for secret agents, and he wanted a tough-minded administrator whom he felt he could trust.

Hugel was cleared by the CIA's Office of Security in just one week, and that investigation failed to turn up the long-running battle with two former stockbrokers that prompted his resignation. The two met

'We have complete confidence in what's his name'

© 1981 Herblock in The Wash



Hugel (left), Casey: Charges of dubious financial dealings—and a potential political liability

Mark Reinstein—Photoreporters

Bruce Hoertel



despite advice from CIA general counsel Stanley Sporkin that there was no clear-cut violation of law involved. Shortly after the Post story appeared, Casey advised White House chief of staff James A. Baker III that Hugel would resign. Hugel did, and Casey replaced him with CIA officer John Stein, a veteran station chief with solid experience in the agency's Asian, African and Soviet operations. The White House was delighted. "There were a lot of memories around here of the Bert Lance affair when this thing popped," said one top staffer. "There was a great desire to have it over with."

Circular: But it wasn't. As questions mounted about Casey's appointment of Hugel, it was disclosed that an interim ruling by a Federal judge in New York last May cited Casey and other officials of a failed agribusiness company called Multiponics, Inc., for knowingly misleading prospective investors in 1968. Judge Charles E. Stewart Jr. concurred with earlier findings that Casey and the other officials had distributed an offering circular containing false and misleading information—failing, for example, to mention that Multiponics had assumed more than \$2.7 million in mortgage debts from its founders and also had exaggerated the operations

Newsweek has learned that the McNell brothers originally took their tale to a New York Times editor, who referred them to Washington-based reporter Jeff Gerth. The McNells mistakenly

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ON PAGE 2.

WALL STREET JOURNAL
27 July 1981

CIA's Casey Faces a 'Full-Blown' Probe If He Doesn't Quit, Some Senators Warn

By GERALD F. SEIB
And JONATHAN KWITNY

Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — CIA Director William

Casey will face a long and potentially embarrassing Senate investigation of his business affairs if he doesn't quit, lawmakers warn.

The staff of the Senate Intelligence Committee is scheduled to submit today a report on Mr. Casey's business history and financial disclosure statements. The panel will hold a closed session tomorrow to discuss the report.

Yesterday afternoon, Mr. Casey sent the committee cartons of documents giving details of his financial affairs. He also asked to appear personally before the committee as soon as possible, but aides couldn't say whether he would be invited.

Some committee members say this week's report, begun just nine days ago, won't clear up all the questions surrounding Mr. Casey's financial history.

Unless he resigns as chief of the Central Intelligence Agency, lawmakers say, the report would be only the prelude to a long investigation by the Senate.

"If he's going to stay, I think it's incumbent for the committee to do a full-blown investigation with hearings," said panel member Sen. Joseph Biden (D., Del.). "I'd like to avoid all of that."

Both Republicans and Democrats are worried that such a long public debate will shatter morale at the CIA. They believe the agency is just recovering from turmoil that arose from long Senate hearings in the mid-1970s into abuses by intelligence officials.

As a result, some influential Republicans think Mr. Casey should quit. Alaska Sen. Theodore Stevens, the Senate's second-ranking Republican, called on Mr. Casey to step aside, saying Senators are "worried about the future of the agency if the director becomes the focal point of controversy right at this time." Similarly, Sen. William Roth (R., Del.) asked Mr. Casey to resign so that the CIA's attention isn't "diverted from its critical responsibilities by the kinds of allegations now being made."

The committee staff has been investigating Mr. Casey's activities as a director of Multiponics Inc., a failed agricultural concern. A federal judge in New York recently ruled that Mr. Casey and other Multiponics directors misled potential investors about the company's finances.

The staff also is looking into other lawsuits and business activities that Mr. Casey didn't disclose in statements required of presidential appointees, congressional aides said. For example, Mr. Casey didn't disclose his involvement in a second suit against Multiponics in Louisiana.

In addition, aides said, the staff will look into Mr. Casey's role as an attorney representing SCA Services Inc., a waste-disposal company that has been linked in public records and sworn testimony to organized crime. After serving as chairman of the Securities and Exchange Commission, Mr. Casey represented SCA in dealings with the commission.

Mr. Casey has pledged to provide materials to the committee by today that will resolve "this entire controversy." He has refused requests for interviews.

Congressional unhappiness with Mr. Casey doesn't all stem from his business activities, though. Lawmakers are openly questioning his job performance, particularly his judgment in appointing Max Hugel as chief of the CIA's spy operations. Mr. Hugel, who hadn't any experience in intelligence operations, was forced to resign after being accused of improper and possibly illegal business activities. He has denied wrongdoing.

Sen. Barry Goldwater (R., Ariz.), Chairman of the Senate Intelligence Committee, also is angry that the panel wasn't informed in advance of the brewing scandals over Mr. Hugel and Multiponics, aides said.

The unhappiness with Mr. Casey on Capitol Hill "seems to be an accumulation of events," said one White House official. Some Senators would like to see Mr. Casey's deputy, Admiral Bobby Ray Inman, step into the top CIA job, he added.

Admiral Inman is a longtime intelligence official who is widely respected by other professionals in the field. Earlier this year, Sen. Goldwater called him "the outstanding intelligence expert in the world." Most observers think the White House would name him to head the CIA if Mr. Casey resigned.

Publicly, though, the White House strengthened its support of Mr. Casey over the weekend. "The President believes Bill Casey is a good and decent man who has served the country well for a good many years," said White House spokesman David Gergen. "He also believes Mr. Casey is doing a fine job at the CIA."

In addition, some Senators spoke out in defense of Mr. Casey. Sen. Henry Jackson urged his colleagues to give Mr. Casey more time to respond to recent allegations. "It looks to me like they're trying to lynch him in public," the Washington Democrat said on NBC-TV's "Meet the Press." Most of the allegations against Mr. Casey "have been around for a while," Sen. Jackson added.

Sen. Paul Laxalt (R., Nev.), a close friend of President Reagan, also urged at a weekend news conference that Senators give Mr. Casey more time to respond to recent allegations. Stanley Sporkin, CIA General Counsel, and Leonard Marks, former U.S. Information Agency director, also defended Mr.

After considering the report of its staff tomorrow the committee may communicate its feelings about Mr. Casey to the White House, staff members said.

Among issues in the Casey inquiry is his extensive legal work for SCA Services, a company traded on the New York Stock Exchange, after Mr. Casey served as SEC chairman from 1971 to 1973.

According to SEC officials, Mr. Casey personally negotiated a settlement of SCA's complex troubles with the SEC in 1977. Last year, Mr. Casey's law firm prepared an extensive public-relations program for SCA and urged the company to use the program to counter SCA's tainted image.

Christopher P. Recklitz, SCA's president until his resignation in 1975, was convicted of wire fraud and filing false statements with the SEC. Burton Stein, its chairman until his resignation in 1976, was convicted of filing false statements. The offenses concerned what the SEC said was a diversion of some \$4 million to Mr. Recklitz's personal use. Anthony Bontro helped divert the money, the SEC said, and was later sentenced to prison with his close associate, Mafia captain and then-Teamster official, Anthony "Tony Pro" Provenzano, for conspiring to split a \$220,000 kickback on a \$2.3 million Teamster pension-fund loan.

Last month, Thomas C. Viola, who succeeded Mr. Stein as chief executive officer of SCA, was himself replaced after a House committee heard charges that he was involved with organized-crime figures in the waste-disposal business in his home state of New Jersey. Mr. Viola later, in his own testimony, maintained his innocence.

SCA's representation by Mr. Casey's New York law firm, Rogers & Wells, was brought to light by John Kelly, editor of Counterspy Magazine in Washington. Caesar Pitassy, managing partner of Rogers & Wells, said at least 20 people in the firm worked on the SCA account, but "my recollection is that Casey didn't have anything to do with it."

SEC officials confirmed for this newspaper, however, that Mr. Casey successfully settled the SEC's charges against SCA relating to the \$4 million fund diversion, false disclosures and what the SEC said were "bribes to obtain contracts and to obtain permission to use property owned by SCA for landfill." In the settlement SCA neither admitted nor denied the charges. It agreed to appoint two outside directors acceptable to the SEC and to maintain an audit committee of four outside directors.

An SCA official who didn't want his name used said Mr. Casey and the late Jack Wells, a Rogers & Wells partner, led the SCA's legal team for the firm.

Neither Rogers & Wells nor SCA would say when SCA hired the firm, although Joe Boren, SCA's director of corporate and community relations, said it "could have" been as early as 1974. The SEC charges involved events occurring in 1974 and 1975.

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FOR PUBLIC AFFAIRS STAFF

STATINTL

PROGRAM Nightline

STATION WJLA TV
ABC Network

DATE July 27, 1981 11:30 PM CITY Washington, DC

SUBJECT Full Text

TED KOPPEL: William J. Casey, the embattled Director of the CIA. Tonight we'll examine Casey's career and the background of the current demands that he resign. We'll talk live with the number two man at the CIA, Admiral Bobby Inman.

And on another top story we'll take a look at preparations for the Royal Wedding in London from the vantage point of an American visitor.

ANNOUNCER: This is ABC News Nightline. Reporting from New York, Ted Koppel.

KOPPEL: Good evening.

If you don't know where to look you might not notice anything out of the ordinary. But there are armies massing in Washington, DC these days. They don't march in formation nor do they wear uniforms. And the weapons they use for this battle is already underway, the weapons of the telephone and the mimeograph machine, the telegram and the news conference.

This battle is for the political survival or destruction of one of the President's men, William Casey.

The efforts to unseat Mr. Casey from his position as Director of the CIA are on one level easily visible, with open calls, for example, from several prominent Republican senators for his resignation. Less visible on the part of Mr. Casey's opponents, the gossip, the news leaks. And less visible among Casey supporters, the rallying of the "old boy" network, the call, as in this mailgram which was sent out last Friday to an alumni of the OSS and many other friends of Bill Casey for special support luncheons in New York and

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Washington next Monday and Thursday.

One way or another William Casey's future is at stake. Here's Sander Vanocur.

SANDER VANOCUR: CIA Director William Casey is in effect on trial in Washington. It is becoming a Washington ritual, a close friend of a president in trouble six months after that president takes office.

Four years ago this summer Jimmy Carter's close friend Bert Lance, Director of the Office of Management and Budget, was called before Congress to explain his financial past. He later resigned.

Now history repeats itself with William Casey, a close personal friend of a new president, Director of the CIA, about to face a congressional investigation into his financial past.

Bert Lance was relatively unknown on the Washington scene. That is not true of Bill Casey. He is part of the American political and financial establishment.

His credentials: World War II service in the Office of Strategic Services, the predecessor of the CIA. Multiple careers as tax lawyer, teacher, author, and businessman, activities that have made him a millionaire. Political posts that have included government service in the early '70s, Chairman of the Securities and Exchange Commission, Undersecretary of State for Economic Affairs, President of the Export-Import Bank, and finally, Director of Ronald Reagan's 1980 presidential campaign, taking over on the day before the New Hampshire primary.

WILLIAM CASEY: Governor Reagan decided that he wanted to reshape the campaign and felt that he needed new management to do it.

VANOCUR: Ironically that campaign provided the catalyst for Casey's present problems. Prominent in that campaign was Max Hugel, a New Hampshire businessman, a good friend of William Lowe, the powerful, controversial, right-wing publisher of the state's most influential newspaper, the Manchester Union Leader.

Casey astonished official Washington, but especially the CIA itself and the Senate Intelligence Committee by naming Hugel, who had no intelligence experience, his Deputy for Covert Operations, the most sensitive post in the agency.

On July 14th Hugel resigned.

MAX HUGEL: In my letter of resignation to Director Casey I feel I can no longer effectively serve him or the agency.

VANOCUR: Hours after, the Washington Post reported charges by two stockbrokers that Hugel had engaged in insider trading and manipulation of the stock of an export-import firm he headed in the early '70s.

The day after the Post story on Hugel it was revealed that a federal judge in New York had ruled May 19th that Casey and other directors of a defunct New Orleans agribusiness firm, Multiporics, Incorporated, knowingly misled investors in 1968. For Casey the fat was in the fire.

Senator Barry Goldwater, chairman of the Senate Intelligence Committee, met with Casey July 15th, reportedly was angry not only about the charges against Casey but also because Casey had failed to warn Goldwater in advance of the charges against Hugel.

The follow day, Senator Majority Leader Howard Baker said the Intelligence Committee staff had been ordered to review all of its material on Hugel and Casey.

But Hugel quickly became a side issue. Front and center were questions about Casey's judgment in hiring him in the first place, and Casey's financial past.

President Reagan was quick to come to Casey's defense.

UNIDENTIFIED REPORTER: How do you feel about the Bill Casey controversy?

PRESIDENT RONALD REAGAN: There's no controversy. I have complete trust in him.

VANOCUR: But the Senate Intelligence Committee wanted all the information and wanted it fast, no member more than Committee vice chairman, Daniel Patrick Moynihan.

SENATOR DANIEL PATRICK MOYNIHAN: If this administration wants Mr. Casey to stay in office they'd better start answering the phone calls of Mr. Blake and Dr. Schulski. If they are going to cover up, they are going to lose themselves a Director of CIA right fast.

VANOCUR: But it seemed last week as if Casey's fellow Republicans had formed a judgment about Casey before all the facts were in.

BARRY GOLDWATER: The damage done by Mr. Hugel's appointment to the morale of the CIA, in my opinion, is a sufficient position for either Mr. Casey to decide to retire or for the President to decide to ask him to retire.

VANOCUR: Even the President, who had been so forthright in his support the previous weeks, appeared last Friday to be hedging

his best.

UNIDENTIFIED REPORTER: Does it seem to you Mr. Casey's going to have to resign?

PRESIDENT REAGAN: I haven't got any answer on that. As I said, we still have confidence -- and our people -- to be talking to the senators about that. And so I don't have any answers.

VANOCUR: And on the weekend Casey supporters were on the counterattack, with friends like Paul Laxalt, the President's closest friend in the Congress rallying to Casey's defense.

SENATOR PAUL LAXALT: Surely it's politically controversial, surely it's politically difficult. But I would hope that my colleagues and whoever else is involved in this process, including the media, give this man a fair shake.

VANOCUR: It may be that Casey is a victim of McCarthy-like tactics. It may also be that Casey is caught up in a raw struggle for power over the future of the CIA. Do old hands at the CIA and its powerful lobby of former CIA officials want one of their own to head the CIA?

And it may be that congressional egos are bruised for a number of reasons.

Casey did not work the Hill as much as his predecessors. Casey did not advise Senator Goldwater or other members of the Intelligence Committee about the charges against Hugel.

There is the question of Casey's judgment, not just about Hugel but also about CIA operations. For instance, an alleged plan reported today by Newsweek magazine to destabilize Libyan President Qaddafi's regime, a plan, which according to Newsweek prompted a letter of protest from the House Intelligence Committee to the President. But the White House and House Intelligence Committee Chairman Edward Boland today denied the report.

And there's also the question of egos at the White House. Casey and his Deputy, Admiral Bobby Ray Inman reportedly clashed early this year with White House National Security Advisor Richard Allen over proposals for lifting restrictions on CIA covert operations, with Allen favoring a wider latitude in those operations, Casey and Inman opposed.

Perhaps for that reason Newsweek was told by a White House official over the weekend that Inman was not on the list of possible successors to Casey should Casey resign.

As in all tribal rituals there is in this current spectacle both reality and symbol. The symbol in this instance is Casey's

financial dealings and perhaps his judgment. The reality is who controls the CIA in the future and to what end.

Sander Vanocur, ABC News, Washington.

KOPPEL: In a moment we'll look at the Senate Intelligence Committee's investigation of William Casey, where it stands, where it's going. And we'll talk live with the CIA's Deputy Director, Admiral Bobby Inman.

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KOPPEL: CIA Director William Casey made clear again today that he does not intend to take the efforts to remove him lying down. Ann Compton reports now on the Casey counterattack and on the Senate investigation into the charges against him.

ANN COMPTON: William Casey means business. He's all over Capitol Hill these days. But he does not mean to quit. In fact, Casey says support back at CIA headquarters is reassuring.

CASEY: I had talked to the employees of the CIA in our auditorium today and I found them very supportive. High spirits, they gave me a prolonged ovation, and it felt very good.

COMPTON: In pursuit of the case against Casey came Fred Thompson, once the Republican's Watergate investigator. Now for the Senate Intelligence Committee Thompson will try to make quick work of a mountain of evidence.

FRED THOMPSON: I expect it to be a thorough inquiry, but I hope that it's resolved in the near future.

COMPTON: Thompson spent his first day on the job sifting through hundreds of pages of documentation on Casey. Tomorrow morning behind the closed doors of the Intelligence Committee hearing room he'll spread it out on the table for senators.

The results would be quick indeed if the members find some compelling evidence against Casey, but one senator recently described the whole affair as no smoking gun, just a lot of smoke. In that case, it could take a long time to clear the air.

Ann Compton, ABC News, Capitol Hill.

KOPPEL: Standing by live now in our Washington bureau is the Deputy Director of the CIA, a former Director of Naval Intelligence, and of the National Security Agency, and a former Vice Director of the Defense Intelligence Agency, Admiral Bobby Inman.

Admiral, forgive the question, I realize it's kind of a

strange one. You are here because we invited you, and we're glad that you are here, but it is almost unprecedented, and in fact, I can't recall another time when a Vice Director of the CIA has appeared on a program like this. And I have to ask you, sir, why is it that you are willing to appear?

ADMIRAL BOBBY INMAN: Mr. Koppel, I had a call yesterday from an old friend for whom I have great regard who told me that he'd been approached by a couple of friends in the news business who had asked him if it was true that Bobby Inman was in fact orchestrating a campaign to have Bill Casey removed in order to succeed. It's preposterous on its face. But the fact that the charge was circulated at all prompted me to decide it was time to go on camera to say that I think he's doing a great job and I hope he stays.

KOPPEL: What's going to happen, do you think, to William Casey at this point? I mean, I can see, as can many people around Washington, that there is this tremendous effort now to rally support for him. But how long can the administration keep rallying if the charges keep coming?

ADMIRAL INMAN: The key is whether or not there are additional charges that are coming, Mr. Koppel. As you know, Mr. Casey has moved with a comprehensive response to the allegations regarding his personal integrity relating to financial dealings prior to coming to his current job.

He's sent a full response back. I've not seen it, I'm told that it's very thorough, and that he's confident that it will remove all charges. He's assured me that there are no other charges pending.

What we then have to deal with are the rumors which continue to circulate. That will be harder to do. But the faster we can get it behind us and get back to work the better the country will be, and certainly the better the CIA will be.

KOPPEL: Much of your professional life, Admiral, has dealt with analysis. Give me your analysis of why you think this has gone as far as it has.

ADMIRAL INMAN: A combination of events, Mr. Koppel. There's clearly a political fight. The Republicans have been riding fairly high in the Congress. Getting to one of the President's men would have its own impact. There clearly was an underriding current of dissatisfaction, particularly among the retired employees of CIA, about the appointment of Mr. Hugel. The media has certainly played its part. One of my friends described it as the time of the doldrums when there's an absence of news and therefore this has filled a lot of pages and a lot of hours on camera.

KOPPEL: But Admiral, when you talk about the political element, you know as well as I do that the harshest charges, the loudest calls for his resignation have come from the Republican side of the aisle, from men like Barry Goldwater. That doesn't sound political.

ADMIRAL INMAN: Mr. Koppel, that's a particularly difficult one for me, finding myself between Senator Goldwater and Mr. Casey. Mr. Goldwater has been a great supporter for these last several years while I've been in some leadership jobs in the intelligence business in Washington. And during the years when he was the Vice Chairman of the committee, whether he agreed or disagreed with the topic at hand he was our stalwart in protecting intelligence sources and methods. It's therefore not a happy occasion to find myself in disagreement with him on whether or not Mr. Casey has the ability and the will to continue to provide the leadership CIA needs.

KOPPEL: But you're also in disagreement, Sir, with Senator Roth, you're also in disagreement with Senator Stevens, and ironically, and I understand, I think, the political motivations here almost as well as you do, the Democrats are quite clearly gleeful to stand back on the sidelines and even make noises about no McCarthyism at this time because the Republicans are doing the work for them.

How is it that so many Republicans are active in this?

ADMIRAL INMAN: Mr. Koppel, it's a fact of life that neither Mr. Casey nor I have spent the time with the senators that ought to have been spent over the past six months. There are a lot of excuses. I carried two jobs until April, he has been busy doing some traveling overseas. But both of us have been learning the agency and the community and trying to decide where it needs to go.

In that process, we've not given the attention that the senators would like to have had. That's clearly one of the problems that underlies the current difficulties.

KOPPEL: But that almost makes it sound as though the U.S. Senate is made up of rather petulant people. I mean, that's not enough reason to go after the man and try to remove him from his job.

ADMIRAL INMAN: I would not describe them as petulant, but they clearly don't like to be surprised. And they like to have a fair amount of time spent keeping them apprized of ongoing events.

KOPPEL: All right, Admiral. We'll continue this conversation, with your permission, in a moment.

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KOPPEL: With us again now from our studios in Washington, the CIA's Deputy Director, Admiral Bobby Inman.

Admiral, it seems that perhaps the most damaging charge against Director Casey is the one of bad judgment. Can you give us some insight as to why he would go to a man to head our covert operations who has absolutely no experience in that area?

ADMIRAL INMAN: Mr. Koppel, a long period of time was spent studying the problems of the clandestine service. Bill Casey got a start on that a good month before I joined him.

His conclusion early on was that the service was being well-run and was being very productive for what it was now doing, but that it had been drawn down below a safe level to deal with the U.S. interests in the years out ahead.

And as that draw-down had gone out over the past decade, there was a tendency to rely on official cover to go for what was going to be most cost-effective rather than that which might be most survivable, if you lost an embassy, as in Tehran or in other places where embassies have been attacked.

In deciding where the agency needed to grow in the future, specifically the clandestine service, it was Bill Casey's judgment that they were going to have to rely far more on non-official cover, the use of commercial drops to provide the necessary cover for clandestine agents all over the world.

It was his conclusion, and I shared the view, that an experienced businessman who had spent 20 years working in that area could be helpful in leading the way toward rebuilding the clandestine service with the proviso that you had plenty of professional people backstopping everything that he did. And that backstop was in place from the time Mr. Hugel first took his job.

KOPPEL: If there is any arm, Admiral, of the CIA that really calls for a great degree of confidence, it would seem to be the clandestine service. And we both heard Senator Goldwater in that taped comment from a few days ago saying that if anything, Mr. Hugel's appointment seems to have damaged the morale of the CIA. And I assume he was referring specifically to clandestine services. Is he wrong?

ADMIRAL INMAN: Mr. Koppel, I asked one of the most senior and respected members of clandestine service day before yesterday for his view on the damage from the Hugel appointment. And his response to me was that its damage ended on the day that Mr. Hugel dropped out of the newspapers.

KOPPEL: Now that Mr. Hugel is out, and let's assume for a moment that you all are successful in keeping Mr. Casey in, would you do it again? Would you go the same way? Would you once again go to someone who does not have a background in intelligence?

ADMIRAL INMAN: Mr. Koppel, I think there's a reinforcement of the value of using professionals in all of these jobs if you can get the right professional. There are places, though, where you want to use outside experts. We've already brought some in to deal with the area of analysis, and there may be some more.

It's a curious mix. Clearly, those inside the agency would prefer that all the promotions come from inside. But the most difficult feature, certainly for the analytical side, is retaining objectivity. And you can find the right people who are willing to come to government service, notwithstanding pay caps and the intense scrutiny of their previous lives, hopefully you can bring better objectivity, the right kinds of questions to help us do a better job in the analytical area than we've done in the past decade.

KOPPEL: Admiral Inman, you've seen the report in today's Newsweek magazine suggesting that there was to be a clandestine operation against Qaddafi of Libya. Tomorrow morning's Washington Post says it wasn't Libya, it Mauritania. Was that kind of an operation being put into play again?

ADMIRAL INMAN: Mr. Koppel, both the State Department and Chairman Boland denied the report this morning. And you'll understand that I'm not going to be drawn into hopping around each country in Africa hoping we'll finally end up with something even remotely close to the inaccurate stories that have been printed.

KOPPEL: No, I can understand that. And I can even understand if you won't answer this next question. But I have to ask you whether in fact, as Sander Vanocur said before, there has been open disagreement or perhaps quiet disagreement between you and Director Casey on the one hand and National Security Advisor Richard Allen on the other on this general subject.

ADMIRAL INMAN: There has been some disagreement on what an Executive Order ought to look like. I'm persuaded that the Executive Order needs to be the road map for the professionals inside the intelligence community that tells them what they can do and what they cannot, the standard that they will be held accountable to ten years down the road.

Our views are shaped from having been in this business through the difficulties we've had in the last decade. I don't want to see them repeated for another generation down the road.

KOPPEL: Admiral Inman, what will it take for Director Casey to survive this?

ADMIRAL INMAN: It will take regaining the confidence of the Senate and giving us some breathing room.

Mr. Koppel, the real problem is rebuilding the capabilities of this U.S. intelligence community after ten years of drawing down both manpower and dollars. We're only going to succeed in doing that if we have a Director of Central Intelligence who has the direct access to and the confidence of the President. And that's what persuades me and many at CIA that notwithstanding the current difficulties, Bill Casey is the right man to continue as the Director.

KOPPEL: In that context, Admiral, will Director Casey be testifying before the Senate Intelligence Committee this week?

ADMIRAL INMAN: He's asked to testify, and I hope that they will offer him the opportunity before they go in recess to respond to all the allegations that have been made.

KOPPEL: How's the general support been from the "Old Boys" network?

ADMIRAL INMAN: I think with the departure of Mr. Hugel, the support has picked back up pretty sharply. Certainly there's been a great flood of letters from many of the retired personnel from the CIA to the Director subsequent to that departure.

KOPPEL: Admiral Inman, thank you very much for joining us.

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PHILADELPHIA BULLETIN (PA)
26 July 1981

Admiral ready to battle if Casey strikes out

By SANDY GRADY
Of The Bulletin Staff

WASHINGTON — Admiral Bobby Ray Inman is the No. 1 choice to replace William J. Casey as director of the Central Intelligence Agency if Casey succumbs to mounting pressure for his resignation.

Sources close to the Senate Intelligence Committee said Inman, 49, is the heavily favorite for several reasons:

— Inman is respected in the Washington intelligence community and popular with key senators, especially Sen. Barry Goldwater (R-Ariz).

— As Casey's No. 2 man, Inman is "in place" and available.

— Because he is known as an intel-

ligence professional and a shrewd bureaucratic infighter, Inman could restore confidence at a CIA shaken by the Casey controversies.

"Inman is seen as a pro who would save the agency from the amateurs," said a Senate intelligence source. "Goldwater has wanted Inman in the job all along because he has no confidence in Casey."

A Texan who spent 28 years in the Navy, Inman is considered an expert on spy satellites and other espionage technology. Before Casey persuaded him to become his deputy at the CIA, Inman operated the National Security Agency, a highly secretive outfit that is the code-breaking elite of the Pentagon.

While Inman waited in the wings, Casey was being bombarded by demands from key Republicans — including Goldwater — that Casey step down.

Goldwater broke open a dam of criticism when he sharply attacked Casey for hiring an unqualified man, Max Hugel, to head the CIA's clandestine activities. Hugel abruptly resigned amid disclosures of stock market manipulations.

Calling the Hugel appointment "a very bad mistake and a dangerous," Goldwater said Casey should retire from the CIA or "the Presi-

Because he is regaining his old clout as the Senate's top conservative and heads the Senate Intelligence Committee, Goldwater's fusillade was considered near fatal to Casey's chances. Sen. Ted Stevens (R-Alaska), the GOP's No. 2 Senate leader, and Sen. William Roth (R-Del), a member of the Intelligence Committee, joined Goldwater in demanding Casey's scalp.

President Reagan intimated publicly that he would fight to retain the 68-year-old Casey, a New York millionaire who had rebuilt Reagan's sagging campaign starting last March. Reagan told reporters he "had not changed his mind" and "still has confidence" in Casey to run the CIA.

But the White House had its top lawyer, Fred Fielding, going over Casey's business dealings that have troubled Goldwater and other senators. A White House source said the results of the Senate Intelligence Committee's Tuesday meeting would decide whether "we have to pull the plug on Casey."

Casey has been politicking hard to keep his job. He has pushed his case with Reagan's senior aides. He has lobbied top senators and carried on a stormy telephone conversation with Goldwater, claiming Goldwater was provided "inaccurate information."

Democrats, sensing that this was a Republican family feud, have been cautious. Sen. Joseph Biden (D-Del), a member of the Intelligence Committee, said he was convinced "there's no way Casey can remain in the job," but he'll wait to see the evidence before formally asking for a resignation. Sen. Henry Jackson (D-Wash), after a 30-minute meeting with Casey, said he was "being tried in the press."

It will be ironic if Inman becomes the new CIA chief — Casey had to promise Inman a fourth admiral's star and arrange for a personal plea to Reagan to accept the CIA's No. 2 job.

Inman, who has been running the

daily operations of the CIA, is well known on Capitol Hill, where he has been a strong advocate in meeting up the CIA's talent pool of experienced agents and analysts. Inman has asked Congress for hundreds of millions of dollars to shore up the CIA's technical spying and covert activities.

Reagan probably will decide Casey's fate next week.



Bobby Inman

25 July 1981

STATINTL

WASH-TIMES (FIELD NEWS SERVICE)

WASHINGTON - REPUBLICAN CONGRESSIONAL SUPPORT FOR EMBATTLED CIA DIRECTOR WILLIAM J. CASEY CONTINUES TO ERODE; AND THE WHITE HOUSE HAS ADOPTED A COOL, WAIT-AND-SEE ATTITUDE TOWARD THE OUTCOME OF ONE OF THE BIGGEST INTERNAL CONTROVERSIES YET TO GRIP THE REAGAN ADMINISTRATION.

REAGAN ISSUED A STATEMENT FRIDAY PLEDGING FULL COOPERATION WITH A SENATE INVESTIGATION OF CASEY AND SAID HE HAD "NOT CHANGED MY MIND" ABOUT SUPPORTING HIM.

HOWEVER, THE WHITE HOUSE ACKNOWLEDGED THAT REAGAN HAD NOT TALKED WITH CASEY IN RECENT DAYS AND THAT NO LOBBYING EFFORT WAS BEING MOUNTED ON HIS BEHALF IN CONGRESS.

"WE BELIEVE THE PROCESS SHOULD GO FORWARD; AND WE ARE NOT INTERFERING WITH IT," WHITE HOUSE SPOKESMAN DAVID GERGEN SAID. ASKED WHETHER CASEY WOULD "SURVIVE" THE CONTROVERSY, GERGEN CAUTIOUSLY REPLIED, "WE HAVE NO REASON TO BELIEVE HE WILL NOT."

THERE IS CONCERN IN THE WHITE HOUSE THAT ANY PROLONGED CONTROVERSY OVER CASEY COULD DISTRACT THE WHITE HOUSE FROM PASSAGE OF ITS ECONOMIC AND TAX INITIATIVES; AND UNDERCUT SUPPORT FOR THEM.

"OBVIOUSLY, IT'S IN EVERYONE'S INTEREST THAT THIS MATTER BE WRAPPED UP AS SOON AS POSSIBLE," GERGEN SAID.

CASEY HIMSELF ISSUED A STATEMENT; HOWEVER, VOWING TO REMAIN IN HIS POST AND DELIVER MATERIALS TO THE SENATE INTELLIGENCE COMMITTEE MONDAY THAT "WILL LAY THIS ENTIRE CONTROVERSY (OVER ALLEGED IMPROPER PAST BUSINESS DEALINGS) TO REST."

THE COMMITTEE WILL MEET IN CLOSED SESSION AT 9 A.M. TUESDAY TO DETERMINE HOW TO PROCEED ON ITS CASEY INQUIRY.

BUT SUPPORT FOR HIM SLIPPED AS ASSISTANT SENATE REPUBLICAN LEADER TED STEVENS URGED CASEY TO RESIGN; CONTENDING HE COULD NOT NOW RESTORE THE ONCE-TARNISHED AND DEMORALIZED CIA TO A PROPER FOOTING. THE CIA WAS SHAKEN IN THE 1970s BY SCANDALS OVER DOMESTIC SPYING AND ALLEGED PLOTS TO ASSASSINATE FOREIGN LEADERS.

STEVENS SAID THERE WERE A NUMBER OF TROUBLING "MATTERS OF JUDGMENT" INVOLVING CASEY; AND HE SAID HE SAW A BIPARTISAN DESIRE IN THE INTELLIGENCE COMMITTEE FOR CASEY TO QUIT.

IN ADDITION, SEN. WILLIAM ROTH (R-DEL.), A MEMBER OF THE INTELLIGENCE PANEL, ALSO CALLED FOR CASEY'S RESIGNATION, SAYING IT IS NOW "IMPOSSIBLE FOR MR. CASEY TO EFFECTIVELY DISCHARGE HIS DUTIES. HE SHOULD GO - NOW."

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ON PAGE 41

THE WASHINGTON POST
25 July 1981

Hill Panel Protests CIA Covert Plan

By Michael Getler
Washington Post Staff Writer

Members of the House Select Committee on Intelligence, in a move described as "rare" by government specialists, have written to President Reagan objecting to a Central Intelligence Agency plan for a covert action operation in Africa, according to informed sources.

Sources in both the executive and legislative branches of government say that while it is not unusual for committee members to occasionally voice concern in closed-door meetings with CIA officials over various covert action schemes, it is highly unusual for members to put their views in writing for the president, who ultimately must approve or disapprove the actions. Some sources said that, in the four years since the House committee was established, they could think of no other case in which members went so far.

These sources would provide no details on the CIA operation, its size or importance, except that it was aimed at someplace in Africa. They said, however, that a number of House committee members, both Democrats and Republicans, were troubled by both the plan itself, which they felt was not properly thought through,

The plan reportedly was first brought to the committee by Max Hugel, the CIA's former deputy director for operations. Hugel has since resigned in the wake of allegations concerning his dealings as a businessman before being brought into the highly sensitive intelligence job by CIA Director William J. Casey. Hugel reportedly was accompanied at the House briefing by a State Department intelligence official, Herman J. Cohen.

In those hearings, misgivings about the plan were voiced to Hugel and Cohen, sources say. But some committee members either did not have enough confidence that their concerns would be passed along to Casey and the president, or felt sufficiently exercised about the matter, to write the president directly, the sources add.

Under a variety of amended federal statutes dealing with congressional oversight of planned U.S. covert or undercover intelligence activities, the president must first make a "finding" that such activities are necessary for national security and then the director of CIA is obliged to inform the House and Senate select intelligence committees, which were set up in the past four-to-five years. The committees have no formal role in approving or disapproving of such actions, but they can make concerns known and thus contribute to a change in plans.

Normally, those concerns do not go beyond the hearing room. Under the Carter administration, sources said, CIA Director Stansfield Turner frequently briefed the committee personally, so concerns were clearly known to him. Thus far in the Reagan administration, sources say Casey has not handled these appearances but delegated them mostly to Hugel and his predecessor and on occasion to deputy CIA director Bobby Ray Inman. In the case of the Africa plan, the members were not as sure that their concerns would be properly conveyed, the sources said. Sources say there has been no response yet from the White House to the letter from the House panel members.

Last year, legislation was passed that narrowed the number of committees required to be kept informed of sensitive intelligence operations from eight to the two select committees. One source said that because of this narrowing, members of the two remaining committees took their jobs even more seriously because, in effect, they were now responsible to the whole Congress if something goes wrong.

Though the Reagan administration has made clear its intention to beef up U.S. covert action capabilities, officials say this is a slow process requiring both skilled people in the field and more money. Officials say the buildup actually started last year. The Carter administration, they said, the former president changed his mind about the Russians, and will continue increasing under the

25 July 1981

Capital Briefs

STATINTL

★ Key U.S. intelligence sources are concerned that certain individuals within the Reagan Administration, along with a number of congressional liberals, are trying to replace CIA director William Casey—badly shaken by last week's resignation under fire of Max Hugel, his chief of clandestine operations—with Casey's No. 2 man, Admiral Bobbie Ray Inman. Though originally backed for the No. 2 spot by no-nonsense security types on the Hill, many of these same hardliners are now having second thoughts because of Inman's opposition to efforts to lift burdensome restrictions on the CIA imposed by the Carter Executive Order. "Changes are critical if the agency is to perform well," says one knowledgeable intelligence source, "but Inman is opposed to all but cosmetic alterations."

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THE NEWS WORLD (NY)
23 JULY 1981

CIA appointee tied to Ellsberg, Pentagon Papers

By Robert Morton
NEWSWORLD STAFF

The controversy surrounding CIA Director William Casey intensified yesterday when another of his high-level appointees became the object of critical questioning.

On July 7, the administration announced that Henry S. Rowen had been chosen to head the National Intelligence Council — a group responsible for preparing national intelligence estimates for the CIA. Rowen resigned under pressure as president of the Rand Corp. in 1971, reportedly because he collaborated with Daniel Ellsberg in the release of the "Pentagon Papers."

Casey yesterday refused to comment about the selection of Rowen and a spokeswoman told The News World that Casey was "unwilling to make any statements about why he appointed him to that position."

Admiral Bobby R. Inman, CIA deputy director, also declined comment.

'Lax about security'

"I think that the biggest worry is that here is a man who is pretty lax about security — sufficiently lax that he lost his job at Rand," said retired Lt. Gen. Daniel O. Graham, former director of the Defense Intelligence Agency.

"As the boss out there at Rand, he was ultimately responsible for the safeguarding of classified papers," Graham said in a telephone interview from his office at the American Security Council in Washington.

"I do recall that he testified essentially for Ellsberg at the trial. That's a very strange background for a guy



William J. Casey

to get the job that he's getting."

Last week Max Hugel, Casey's deputy in charge of CIA's covert operation section, resigned as a result of what he called "unfounded, unproven, and untrue" allegations in a Washington Post article that he had engaged in "improper" stock market practices in the 1970s.

Intelligence sources said Hugel was the victim of either a personal vendetta from his two former business associates (one of whom — Samuel McNell — is reported missing) or of "an inside hatchet job at the company."

Although President Reagan has defended Casey, some intelligence specialists are more alarmed by the CIA director's appointment of Rowen than by the apparent shortcomings of the background investigation that preceded Hugel's appointment.

A White House spokesman declined comment on Rowen's selection, saying only that Casey was responsible for the appointment and that "there is no change in this administration's support of Casey."

Rowen, who is (or reportedly was) a close friend of radical leftist Daniel Ellsberg, resigned his posi-

tion, then assistant secretary of defense for international security affairs, and two of his top assistants, Leslie Gelb and Morton Halperin.

Halperin is now director of the Center for National Security Studies which was founded in 1974 by the radical left-wing think tank, the Institute for Policy Studies.

The CNSS publishes the Covert Action Information Bulletin which exposes the activities of American intelligence agencies and specializes in identifying agents by name.

Warnke headed the Arms Control and Disarmament Agency under the Carter administration. Both he and Gelb, now a New York Times reporter, are known as advocates of a weakened U.S. strategic and military posture.

"For a long time, Rand was turning out papers on strategy and military matters in support of policies that are from our point of view failures," Gen. Graham said.

"Unless Mr. Rowen has changed his mind, and according to some of his statements about the uncivilly optimistic estimates by the CIA, he may have changed his stripes, that worries me a little bit," he added.

Rowen, who had worked with Ellsberg in Rand's economic division as early as 1959, criticized his friend's disclosure of the Pentagon Papers. Nevertheless his resignation from Rand in 1971 apparently resulted from a breakdown in trust between Rowen and the Department of Defense.

Pentagon officials reportedly feared that he was attracting people to his staff who were antimilitary.

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ON PAGE 23.

CHRISTIAN SCIENCE MONITOR
23 July 1981

Joseph C. Harsch

Credentials for the CIA

The Senate Intelligence Committee is investigating the past financial dealings of CIA director William J. Casey. The White House says the President retains "full confidence" in Mr. Casey, but White House aides indicate that this "full confidence" could diminish if the investigation turns up anything serious or unpleasant.

Thus, Mr. Casey's tenure at CIA depends in part on whether there is anything more than is already known about his role in the promotion of business stock issues which proved to be less sound than the advertising implied.

But even if Mr. Casey himself comes through the Senate committee investigation unscathed, two questions have emerged out of recent events at the CIA which could and perhaps should weigh more heavily than Mr. Casey's financial record.

The first question is about Mr. Casey's own judgment.

He insisted on picking as his deputy in charge of CIA "operations" a personal political associate who had no experience in intelligence work, Max Hugel. The selection was strongly opposed within the professional intelligence community and in the White House staff. Mr. Casey was allowed to have his way because he had managed the President's political campaign brilliantly and successfully. It is difficult for any president to say no to his successful campaign manager.

Events since the selection have justified the doubts which had been raised. CIA insiders say that the Hugel performance in charge of the secret and clandestine side of the CIA has been a professional disaster. They say his ignorance of the spy business has alarmed friendly and allied intelligence agencies, thus reducing the normal flow of information to the United States from the resources of other countries. They say that the professionals under him have been demoralized by his ignorance of the business.

The above has come out in the wake of the resignation of Mr. Hugel, brought by newspaper exposure of questionable business dealings. The White House is claiming credit for having allowed Mr. Hugel to resign on the sixth day after the exposure. Intelligence professionals say he should have been fired at once.

So Mr. Hugel is gone from a job for which he was obviously not suited. He has been replaced by a 48-year-old CIA veteran, John H. Stein. Mr. Stein was the person the professionals in the operations directorate of CIA had wanted in the first place. Morale is reported enormously improved since Mr. Stein replaced Mr. Hugel. A question mark is left hanging over Mr. Casey's ability to select subordinates.

More importantly, there is a question left over whether a politician should ever have been put in charge of the CIA.

Historically, American political campaign managers were sent to run the Post Office Department. The classic case was James A. Farley, one of the greatest of them all, who incidentally was an excellent postmaster general — until he broke with Franklin Delano Roosevelt over the third-term issue and retired from government.

There is one argument for putting a politician in that most sensitive of roles in government in Washington. A man with Mr. Casey's record as a successful politician has easy access to the White House. He can take CIA material there and get quicker and more careful consideration for it than could a professional intelligence officer without political credentials.

The purpose of having a Central Intelligence Agency is to provide the president with the best and most objective information and appraisal possible for his foreign policy decisions. Politics will enter into those decisions at the White House, of course. But there is no reason for a CIA to exist unless it can come up with sound nonpolitical material — and get it to the president.

If the man who runs the CIA is himself political and is thinking about what is good for the president on the domestic political stage, the president is not certain to get pure and unadulterated intelligence material. His foreign policy decisions may be unduly influenced by politics.

An experience of Mr. Casey's predecessor, Adm. Stansfield Turner, illustrates the point.

When the Shah of Iran was toppled from throne, the US lost a monitoring system on Iran's northern border. Did that loss reduce dangerously US ability to monitor Soviet servance of limits on their numbers and the of strategic nuclear weapons?

Admiral Turner was put under pressure from the White House to tell the Congress he had alternate and just as good sources refused until he was sure it was a fact. He have just learned recently that he got the nese to let him put up new monitoring station in China on the Soviet frontier). His original refusal angered some of the political figures at the White House who declared that the admiral would certainly not be reappointed. Mr. Carter had a second term as President.

The admiral stood his ground under such pressure. Would a politician stand his ground as firmly under similar pressure?

In theory the ideal CIA director would be both an incorruptible professional intelligence officer and a politician. Such men are few and far between. If a choice has to be made it should be on the side of the incorruptible professional.

Guessing in the intelligence community the wake of the Hugel affair is that the White House will find a more suitable outlet for Mr. Casey's political skills and let the CIA be run by its present deputy director, Adm. Bobby Inman, who has the enthusiastic support of the entire intelligence community in Washington.

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NEW YORK TIMES
22 JULY 1981

Moynihan Asks Faster Action on Casey Files

By TERENCE H. SMITH

Special to The New York Times

WASHINGTON, July 21 — Senator Daniel Patrick Moynihan charged today that the White House and the Justice Department had ignored the Senate Intelligence Committee's repeated requests for confidential files relating to the business dealings of the Director of Central Intelligence, William J. Casey.

"For the past two days we have been urgently trying to find out whether the Director of the C.I.A. has been involved in illegal activities that would make him unfit to hold his office," the New York Democrat shouted, waving his arms for emphasis at a hearing by the Intelligence Committee.

The panel is examining whether Mr. Casey was involved in questionable stock market practices in the late 1960's. Today it sent a letter to the White House and the Justice Department asking for all material and relevant documents from an F.B.I. background check of Mr. Casey. The letter was signed by Mr. Moynihan, the committee's ranking minority member, and the committee chairman, Senator Barry Goldwater, Republican of Arizona.

But at this morning's hearing, Mr. Moynihan said: "We've called the White House and we've called the White House and we've called the White House. I've called the Attorney General and he doesn't answer. Maybe he doesn't know who I am, or maybe he doesn't know what goes on up here or think that it matters."

"Well, it does matter, and if they are going to cover up, they are going to lose themselves a Director of the C.I.A.," Mr. Moynihan said, his face flushed.

A Justice Department spokesman later denied a cover-up and said Senator Moynihan's assertion that the Department was not cooperating with the investigation was "just blatantly wrong." And at the White House, Fred F. Field-

ing, the counsel, said that the committee would be given access to the background materials on Mr. Casey tomorrow.

An examination of Senate records and court records in New York shows that Mr. Casey did not disclose on forms completed for the Senate Intelligence Committee in January that he was a defendant in two related lawsuits that involved the sale of a mutual fund, Fund of America. Mr. Casey was a director of the fund from 1969 to 1971. Both suits were settled out of court in 1979.

The Senate disclosure form completed last January by Mr. Casey as part of his confirmation process called for him to list "any legal actions in the last five years in which you have been a plaintiff, defendant or witness." On that form, he did disclose his involvement in several other cases still pending or settled in the last five years.

Last week, after the resignation of Mr. Casey's top deputy, Max C. Hugel, it was disclosed that a Federal District Court ruling had named Mr. Casey as one who had "omitted and misrepresented facts" to investors in Multiponics Inc., a firm in which he was a principal. On Friday the Senate Intelligence Committee announced it would conduct a staff investigation of the matter to determine whether Mr. Casey should resign from the C.I.A.

On Friday afternoon, Mr. Moynihan said, the staff began phoning the White House and the Justice Department to obtain a report of the Federal Bureau of Investigation's background check of Mr. Casey, as well as other relevant documents. "They didn't answer our calls," the Senator said.

The formal letter from the committee was delivered to the White House and Justice Department this morning. Karna Small, a White House spokesman, said the letter was received at 11:40 A.M., about an hour after Mr. Moynihan spoke at the hearing.

Thomas P. Cair, a Justice Department spokesman, said that the first written request from the Intelligence Committee had been received by the department this morning. "There's no question but that we intend to cooperate fully," he said. "We have no intention of covering up anything."

Senator Goldwater, who last week said he thought Mr. Casey should resign but later said he had changed his mind, reportedly has been telling colleagues in private that he believes it would be best for Mr. Casey to step down. Speaking with reporters today, however, he said that he believed that Mr. Casey "will remain unless we find further allegations against him in the course of the investigation."

Mr. Goldwater said the committee was looking into both "published and

unpublished" allegations but declined to say what unpublished charges were involved.

Lawsuits Filed in New York

The two lawsuits naming Mr. Casey as a defendant were filed by two separate Fund of America shareholders in 1971 in Federal court in Brooklyn and New York. The suits, which were consolidated in 1973 and settled out of court in 1979, according to court records, also named more than a dozen other individuals and companies associated with the fund.

Mr. Casey's involvement in the cases was minimal. In the New York case he was never officially served with the original complaint, though he was officially notified in the Brooklyn suit. Mr. Casey never testified in the case nor did he make any contribution to the monetary settlement completed in 1979.

The Fund of America and various affiliates were sold in 1969 by Bernard Cornfeld's Investors Overseas Services to Equity Funding Corporation of America, a financial conglomerate that subsequently collapsed after involvement in one of the nation's largest financial scandals.

After the sale of the mutual funds, Mr. Casey and others were chosen by Equity Funding officials to become directors of the fund. The lawsuits charged that there had been violations of the Investment Company Act of 1940, arising out of "kickback arrangements" and other improper payments in the 1969 sale that deprived Fund of America stockholders.

The lawsuits said the fund's new directors, including Mr. Casey, should have sued to recover the payments.

At today's Intelligence Committee hearing, several of the nation's intelligence chiefs, including Mr. Casey's deputy, Adm. Bobby Ray Inman, appealed to Congress to exempt the C.I.A. from the Freedom of Information Act on the grounds that it risked inadvertent disclosure of national secrets.

Admiral Inman said that the life of an agent had been endangered in one case and that in other instances confidential material supplied by foreign governments had been disclosed. The exemption was opposed by historians and by spokesmen for the American Newspaper Publishers Association and for the Sigma Delta Chi, the Society of Professional Journalists. They contended that the intelligence agencies have sufficient protection against inadvertent disclosure under the existing law.

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PHILADELPHIA INQUIRER
22 JULY 1981

STATINTL

National



Bobby Inman

Intelligence chiefs say secrets have been inadvertently disclosed.

In testimony yesterday, CIA Deputy Director Bobby Inman said "there have been mistakes" in which the CIA inadvertently released information "that was of enormous concern" in its responses to inquiries filed under the Freedom of Information Act. Inman and the directors of the National Security Agency, and the Defense Intelligence Agency urged the committee to exempt their agencies from the act. Robert Lewis of the Society of Professional Journalists, testifying in opposition to their request, pointed out that no court has yet required intelligence agencies to release information classified as secret. "The act is an annoyance to the CIA, but public servants often find accountability annoying," he said.

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WASHINGTON POST
22 July 1981

STATINTL

CIA Attacks Freedom of Information Law At Senate Hearing, Asks to Be Exempted

By George Lardner Jr.
Washington Post Staff Writer

Ranking officials of the CIA and other U.S. intelligence agencies assailed the Freedom of Information Act yesterday as "incompatible" with their work and asked Congress for a complete exemption from the law.

CIA deputy director Bobby Ray Inman, who led the parade before the Senate intelligence committee, said the agencies had asked for less sweeping relief in the past, only because they had not been able to drum up sufficient support for what they really wanted.

"It isn't a case of trying to hide waste, fraud, abuse and mismanagement," Inman insisted, "but of trying to protect sources and methods."

Other witnesses at the hearing,

from the American Civil Liberties Union, the American Newspaper Publishers Association, the American Historical Association and the Society of Professional Journalists, expressed their strong opposition to the broad-gauged request.

But committee Chairman Barry Goldwater (R-Ariz.) was clearly sympathetic. "We have made ourselves the most public secret intelligence service in the world," Goldwater declared. "That has to be stopped."

Inman suggested that the Senate and House intelligence committees could serve as adequate surrogates for the public in making sure the intelligence community behaves properly; but Goldwater expressed his distaste even for that. "I don't even

like to have an intelligence oversight committee," he said. "I don't think it's any of our business."

The hearing dealt primarily with a bill offered by Sen. John H. Chafee (R-R.I.) that would permit the director of central intelligence to designate most intelligence agency files as beyond the reach of FOIA. Citizens and resident aliens could still seek records "concerning themselves" under the Privacy Act.

A spokesman for the ANPA warned that the step would be "especially disturbing" in light of recent events at CIA, including the downgrading of the public information office, the cessation of background briefings for journalists, and the recent allegations of improper business dealings by top CIA officials.

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ON PAGE 8LOS ANGELES TIMES
22 JULY 1931

Classified Secrets Got Out Under Information Act, Spy Chiefs Say

WASHINGTON (AP)—Officials of the major American intelligence agencies testified before a Senate panel Tuesday that classified secrets have been inadvertently disclosed in their responses to Freedom of Information Act inquiries.

Central Intelligence Agency Deputy Director Bobby Ray Inman said "there have been mistakes" in which the CIA released information "that was of enormous concern."

In one case, Inman told the Senate Intelligence Committee, the life of an intelligence source was endangered. In other cases, confidential material supplied by foreign governments was disclosed, he said.

Inman, along with Lt. Gen. Lincoln D. Faurer, director of the National Security Agency, and Maj. Gen. Richard X. Larkin, director of

the Defense Intelligence Agency, testified in support of legislation to exempt their agencies from some provisions of the 1966 law.

"The KGB (the Soviet intelligence agency) can ask (for information), and if we don't comply, they can also appeal and take us to court under the law," Inman said.

Asked whether the agencies would have to respond to an information request by Soviet President Leonid I. Brezhnev, Inman nodded.

Sen. Barry M. Goldwater (R-Ariz.), chairman at the committee, asked whether "a recognized enemy country" could make similar demands.

"By law we are required," Inman said.

"Even though we might be at war with that country—that's true?"

Goldwater asked.

"Yes, sir," Inman said.

The views of Inman, Faurer and Larkin were challenged by spokesmen for the American Newspaper Publishers Assn. and for the Society of Professional Journalists, Sigma Delta Chi.

"It seems somewhat improbable that agencies with a sophisticated capability for evaluating information could inadvertently release classified data," Robert Lewis of Sigma Delta Chi said.

Lewis pointed out that no court has yet required intelligence agencies to release information classified as secret. He said disclosure of secret information is most often the result of deliberate, politically inspired leaks, not inquiries under the Freedom of Information Act.

As an example, he cited disclosure of the new radar-resistant "Stealth" bomber technology during last year's election campaign.

"The act is an annoyance to the CIA, but public servants often find accountability annoying," he said.

STATINTL

CIA Chief Casey to Face Senate Inquiry On Multiponics Role, Agency Procedures

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Central Intelligence Agency Director William Casey this week faces a double-pronged inquiry from an unhappy Senate Intelligence Committee.

The committee's staff has been instructed to examine in more detail Mr. Casey's involvement in Multiponics Inc., a failed agricultural concern of which he was a director. Last week, it was disclosed that a federal judge had ruled that Mr. Casey and other officers of the company knowingly misled investors in a securities offering circular.

In addition, the staff will study the CIA's security procedures to see why they didn't uncover allegations of improper business activity by Max Hugel, the man Mr. Casey chose to be director of the CIA's spy operations. Mr. Hugel resigned last week after he was accused by past business associates of improper and possibly illegal securities activities in 1974.

The twin scandals have created widespread unhappiness on Capitol Hill with Mr. Casey's performance. Members of the influential Senate Intelligence Committee are particularly upset because they weren't informed in advance that the scandals were brewing, aides said.

"The thing that concerned them was that the consultative process seems to have broken down," one staff aide said. "The committee was taken by surprise. They don't like that."

The committee members registered their unhappiness "rather clearly" in a meeting Friday with CIA Deputy Director Bobby Inman, staff members said. The meeting had been scheduled before the scandals arose.

Senators on the Intelligence Committee want the staff to report its findings early next week. Committee members want to "clear the air" quickly, one congressional source said. "I think if the committee is agreed on anything, it's on that," he added.

Mr. Casey might have to appear personally to convince the committee that there won't be further embarrassing details of his business dealings, this source said. Otherwise, he added, some lawmakers could begin pushing for Mr. Casey to step aside.

Even before last week's developments, some lawmakers had been unhappy with Mr. Casey because of his insistence on appointing Mr. Hugel to a sensitive CIA job. Mr. Hugel, a Reagan campaign supporter, didn't have any previous intelligence experience.

On Friday, the White House again reiterated President Reagan's support for Mr. Casey. The President "is very firm" in expressing his confidence in him, said White House Director of Communications David Gergen. He added: "I think there is a concern that this not be blown out of proportion."

Sen. Barry Goldwater (R, Ariz.), the committee's chairman, also said that Mr. Casey should stay in office "unless we find further allegations."

NEW YORK JAILY NEWS
19 July 1981

View

Cleanup time for the CIA

BY JOSEPH VOLZ

CONCE AGAIN, it may be time for a broom at the top of the Central Intelligence Agency.

The often-embattled spy corps has had its worst week since a Senate panel revealed six years ago that the agency planned to kill Cuban President Fidel Castro and other world leaders.

But the problem now is not what CIA Director William Casey has done since becoming top spy last January, but what he and his recently dispatched covert operations chief, Max Hugel, were doing in the business world before they joined the agency.

Once again, the ethics of the nation's top spies is under scrutiny.

Hugel was forced to quit when *The Washington Post*—not the CIA's Office of Security—uncovered a tangled tale of alleged stock manipulation in the mid-1970s designed to boost the worth of his company, Brother International Corp.

But hardly had Hugel, a brash amateur and the most unpopular head of covert operations since the agency was formed in 1947, been pushed out the door before Casey's own business dealings came into question. A now-defunct farming venture, Multiponics Inc., in which he invested, has been the subject of a civil suit for years.

So far, President Reagan says he has "full confidence" in the brusque Casey who was his campaign chief last year.

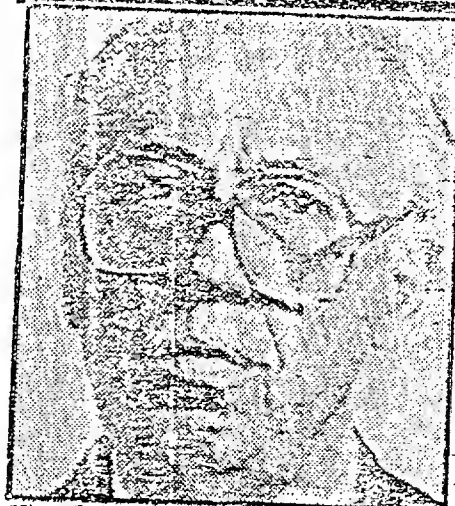
But Casey does not have the "full confidence" of his clandestine operatives. The undercover crowd, expected to be more and more active in such

flashpoints as Afghanistan, El Salvador and Guatemala, is appalled that Casey picked an amateur, Hugel, to run the sensitive covert division.

Casey, in his first months as director, has tried to shut down the CIA public affairs office and make the agency exempt from the Freedom of Information Act, to the anger of civil libertarians who argue that such secrecy got the CIA in trouble before and could prevent future Hugels from being rooted out.

Sen. Daniel P. Moynihan (D-N.Y.), committee vice chairman, wants a full report on how the papers could find out things about Hugel that eluded the CIA's probers.

The betting here is that, regardless of President Reagan's "full confidence," Casey will be out by year's end, to be replaced by a professional who



The CIA's Casey: Too high a profile keeps a low profile and does not panic in crisis—someone like Admiral Bobby R. Inman, deputy CIA director, or Frank Carlucci, the former deputy who is now deputy defense secretary.

Joseph Volz covers national affairs from The News' Washington bureau.

STATINTL

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WASHINGTON STAR
18 JULY 1981

Senate Panel Orders Probe of CIA Chief

By Henry S. Bradsher
Washington Star Staff Writer

The Senate Select Committee on Intelligence decided yesterday to inquire into CIA Director William J. Casey's tangled business affairs, and the committee's legal staff then held a preliminary meeting with CIA lawyers.

Both the White House and several Senate leaders publicly voiced support for Casey to continue to run the intelligence agency. Privately, however, some congressional leaders suggested that it was becoming increasingly likely that Casey would have to be replaced by his personal friend, President Reagan.

The inquiry on him merged into one that the committee already had started on the way Casey put his political aide, Max Hugel, into the job of CIA spymaster without normal security checks. Hugel was quickly pushed out of the job Tuesday by the White House after the disclosure of questionable business practices.

Committee sources said the CIA lawyers had promised access to whatever data was required for the inquiry on Casey. A preliminary report on both Casey and Hugel was expected by the committee before its members go on recess in early August.

Neither committee nor CIA sources could say what light the agency could shed on Casey's personal business ventures that occurred before he became director. Nor was it clear whether his own lawyers would become involved.

Casey's own lawyers have been defending him against charges that he knowingly misled potential investors in a 1968 farm business venture and also drove the company deeper and deeper into debt for his personal benefit. Despite legal judgments against him, his lawyers have denied the charges.

Casey was Reagan's campaign manager last year, and Hugel was an assistant. Reagan named Casey to the CIA post. Hugel went along as a personal aide and later became deputy director for operations, in charge of the agency's very sensitive clandestine work.

The Senate committee held its regular weekly meeting yesterday morning with 11 senators present. Casey's deputy director, Admiral Bobby R. Inman, reported as previously scheduled on CIA work in the first six months of the new administration.

After that closed session, the senators excluded even their key staff members and talked about Casey's and Hugel's personal problems. Then committee chairman Barry Goldwater, R-Ariz., went out and told reporters that the inquiry on the security clearance of Hugel would be broadened to cover Casey's situation.

The committee's legal staff had been instructed to check "whatever matters might be hanging" about Casey, Goldwater said. This included not only business affairs but also Casey's possible role in placing Hugel in the spymaster's job without the normally lengthy and careful security checks.

Speaking to reporters about Casey, Goldwater said that, "as a director, he's done a commendable job except for picking a man with no background" to head the clandestine services. When asked if Casey should remain as CIA director, Goldwater replied, "Yes, I think he should."

Senate majority leader Howard H. Baker Jr. told reporters that "I know of no reason at this time for Casey to resign."

"A number of senators expressed their concerns to me about the Casey stories that have appeared and the Hugel stories," Baker said, "and I expect that until those are resolved that Casey will continue to be in a degree of trouble but not trouble in the sense of his continuing to serve."

"I support Bill Casey and will continue to do so," Baker added, "until or unless something is made to appear that undermines my confidence."

Despite these public shows of confidence, there was a growing feeling on Capitol Hill that the mounting problems for Casey could lead to his departure. Some Hill sources noted, however, that there was a difference

between the White House's push out Hugel, whom Reagan did not know, when he became controversial and dropping Casey, an old friend.

White House spokesman David Gergen said the president's office "will fully cooperate" with the Senate committee's inquiry. Gergen added that Reagan "is very firm in his views" of support for Casey.

In recent days White House counsel Fred Fielding had "asked for and reviewed the court decisions" on Casey in New York and New Orleans, Gergen said.

"We're concerned" that the case "not be blown out of proportion," the spokesman added.

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THE WASHINGTON POST
18 July 1981

Goldwater Backs CIA Ch Mountain Out of a M

By George Lardner Jr.
Washington Post Staff Writer

Sen. Barry Goldwater (R-Ariz.) accused the press yesterday of making "a mountain out of a molehill" at the CIA, and said he saw no reason for Director William J. Casey to resign "unless we find further allegations."

The Senate Intelligence Committee, of which Goldwater is chairman, formally instructed its staff to begin a series of meetings with CIA lawyers to review allegations of financial misconduct by Casey and an alleged case of attempted "blackmail" involving his former chief of covert operations, Max Hugel.

Committee investigators also plan to inspect the records of the background investigation the FBI conducted before Ronald Reagan nominated Casey as CIA director last December.

Presidential press spokesman David Gergen said the White House would cooperate completely in the inquiry. He added that the president has "full confidence" in Casey.

Similarly, Goldwater said he did not think Casey should resign, and added that "I don't think there's enough proof to call for resignation."

"With all due respect to you fellas, you made a mountain out of a molehill," Goldwater told reporters after the two-hour committee session. "Now wait until the hill gets big, wait till the bugs start crawling out. Then you'll have something, or you may not."

Instead of getting bigger, he suggested, "it may go right into the ground."

Questions concerning Casey's tenure as CIA director arose this week when Hugel resigned as deputy director for operations, one of the

agency's most sensitive posts, hours after The Washington Post disclosed accusations of improper or illegal stock-trading practices on Hugel's part in the early 1970s.

Hugel contended that the two former Wall Street stockbrokers who leveled the charges had attempted to blackmail him several times during their acrimonious relationship. He denied any wrongdoing, but quit the agency Tuesday morning saying he said he felt he could no longer be effective.

CIA general counsel Stanley Sporkin and other agency officials met with Senate committee staff director John Blake and his aides on Capitol Hill later in the day to begin the review.

As far as Hugel is concerned, one source said, the committee primarily wants to know "how it's possible that somebody who claims he was being blackmailed got past the security people."

Goldwater said he thought at first that the CIA would be badly damaged by the week's events, but has since changed his mind.

"In fact, I think they're so happy out there to have gotten rid of Mr. Hugel and gotten the new man [John Stein] in his place... that it's pretty well overshadowed everything else," Goldwater said. "I think everything's going good at the agency."

Surfacing in the aftermath of the controversy were several court rulings critical of Casey's connections with a now-defunct farming firm, Multiponics Inc. It has been the subject of litigation in New York and New Orleans.

Goldwater said he felt Casey had done "a commendable job" at the CIA except in his selection of Hugel, a Reagan campaign colleague whom Casey had insisted on appointing to head the clandestine service despite Hugel's lack of intelligence experience.

Goldwater said, however, that he did not regard Hugel as a security risk despite his failure to tell CIA investigators about his once-volatile relationships on Wall Street.

Hugel "wanted to serve his country and was just a little careless in telling the whole truth about his background," Goldwater said.

Several Democratic members of the Senate Intelligence Committee, by contrast, have voiced chagrin over the failure of the CIA's security investigators to raise any question marks about Hugel's business career. They have also expressed dissatisfaction with Casey's disclaimer of responsibility for misleading potential Multiponics investors.

Committee member Joseph R. Biden (D-Del.) said through a spokesman that unless Casey and the administration come forward quickly with "a plausible and legal explanation" of the matters under review, "then Mr. Casey should be asked to do what is best for the agency and the country and step aside."

The review concerning Casey apparently will concentrate on the Multiponics litigation in New Orleans. Casey had informed the Intelligence Committee of the New York suit at the time of his confirmation hearings, but Goldwater noted yesterday that he had not been aware of the Louisiana case.

There was little indication yesterday, however, that the committee plans to carry its staff inquiry beyond what has been published and try to satisfy itself that there are "no further allegations" to uncover.

CONTINUED

Casey, Hugel Face Possible Senate Probe

By George Lardner Jr.
Washington Post Staff Writer

The Senate Intelligence Committee has begun a preliminary inquiry into allegations of financial misconduct by both CIA Director William J. Casey and his former chief of covert operations, Max Hugel.

Senate Majority Leader Howard H. Baker (R-Tenn.), an ex officio member, said the committee ordered a review of "the whole package" of various accusations involving the two men in unrelated cases.

"Yes, I'd say he's in trouble," Baker initially told reporters inquiring about Casey's status. Moments later, however, he amended that as a bit too strong. He said "concern" was a better word for the moment.

"A number of senators have expressed concern to me" about Casey, Baker said.

Hugel resigned as deputy CIA director for operations Tuesday morning after The Washington Post reported that two former Wall Street stockbrokers who had business dealings with Hugel were accusing him of illegal or improper stock trading practices in the early 1970s.

At the same time, court rulings critical of Casey's connections with a now defunct New Orleans company, Multiponics Inc., began surfacing.

In one case involving Multiponics, an agribusiness firm

which went bankrupt in 1971, a U.S. appellate court wrote that Casey and other directors of the company had driven it "deeper and deeper into debt." The court stymied an effort by the directors to claim part of the assets of the bankrupt company.

Then, in separate litigation, a federal judge in New York held in May that Casey and the other Multiponics officers and directors had knowingly misled potential investors in a \$3.5 million fund-raising effort for the company.

Other members of the Senate Intelligence Committee told reporters that a decision on a formal inquiry will not be made until the staff review is submitted.

Sen. Walter D. Huddleston (D-Ky.) said committee colleagues he'd spoken to were "more concerned about Casey than Hugel."

Chairman Barry Goldwater (R-Ariz.) could not be reached for comment following a report that he had told some fellow senators he felt Casey "should be removed as CIA director." Speaking for Goldwater, Katherine Grammer said the senator denounced the report as "a malicious lie."

Committee sources said Casey met with Goldwater privately Wednesday, but did himself neither much good nor much harm. Goldwater and others reportedly are chagrined by the fact that the CIA failed to inform the senators about the Hugel matter before it appeared in The Post.

Several Senate sources said Casey is remaining in the job only because Reagan wants him to stay and only if no more derogatory information surfaces about his investment career.

Despite all the public disclaimers, one source close to Sen. Baker said, "the word is out that Casey is in trouble, with Goldwater and in the White House. Not with Reagan, but in the White House."

Sen. Lloyd Bentsen (D-Tex.), who also sits on the Intelligence Committee, said the staff inquiry would also include a look at the CIA's security procedures due to its failure to raise even a mild alarm about Hugel's business dealings.

The CIA has a reputation for making very detailed investigations, but they certainly blew this one.

Bentsen told reporters. "I think they obviously did a very poor job in checking out a man for a very sensitive post."

Another committee member, Sen. David Durenberger (R-Minn.), said he had "a bit of concern about Hill from the beginning."

Durenberger said if Casey is faulted for his judgment about Hugel, he should be credited for his selection of Adm. Bobby Inman as the CIA's deputy director. The widely popular Inman, a former head of the National Security Agency and Goldwater's original preference as CIA director, makes it easier for the senators to contemplate Casey's departure.

White House chief of staff James A. Baker III took what appeared to be a carefully controlled slap at Casey yesterday. Asked about Hugel's inexperience, Baker replied: "We would hope that in the future due consideration would be given to professional expertise for this position."

In connection with the Multiponics case, Casey told The Washington Post that he "never misled anyone" in stock-offering circulars.

"I didn't prepare the circulars. I had a technical responsibility as a director," he said.

A review of court records, however, shows that the question of control over the contents of the circulars has been hotly contested in the lawsuit. Casey served not only as a director of the firm but as corporate secretary and legal counsel.

An FBI agent checked out the Multiponics litigation file at the U.S. courthouse in New York City Wednesday. A New York FBI spokesman refused to comment, but Justice Department spokesman Tom DeCar said later that the agent had been dispatched at the request of White House counsel Fred F. Fielding.

White House spokesman Larry Speakes said yesterday that the Multiponics litigation had not been brought to the president's attention last winter because Fielding, "in his discussions with Casey, made a determination" that this was not necessary. DeCar told a reporter that Fielding took the file over and ordered to read the May 19 ruling.

Staff writers Patrick Tyler, Lou Cannon and Morton Mintz contrib-

STATINTL

Linguist Shortage Affecting Spy Units

Associated Press

The CIA's second-ranking official said yesterday the nation's intelligence apparatus has been severely affected by deepening shortages of personnel who are trained in foreign languages.

"The foreign language capability of our country is poor and growing worse," Adm. Bobby R. Inman, deputy director of the Central Intelligence Agency, told a Hill panel. He called for "decisive action" by the government to help reverse the trend.

Inman testified at House postsecondary education subcommittee hearings on a bill by the panel's chairman, Rep. Paul Simon (D-Ill.), to provide \$80 million a year in federal grants to schools and colleges for expanded foreign language programs.

Inman said he was limited in what he could disclose "about the statistical effect declining language foreign language ability has had on our operations. Suffice it to say that we have been impacted severely."

He added that "in the 'operations' area, we are now losing many of our most experienced people who have had 20 or so years of service using a second or third language. Replacement of these people has been made difficult by the fact that many universities and colleges no longer have foreign language requirements as part of their mandatory curriculum."

Inman said the U.S. intelligence community is "especially vulnerable when it comes to the more exotic languages such as Urdu, Arabic and Farsi."

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LANGUAGES-INTELLIGENCE

BY BARTON REPERT

WASHINGTON (AP) -- THE CIA'S SECOND-RANKING OFFICIAL SAID WEDNESDAY THE NATION'S INTELLIGENCE APPARATUS HAS BEEN SEVERELY AFFECTED BY DEEPENING SHORTAGES OF PERSONNEL WHO ARE ADEQUATELY TRAINED IN FOREIGN LANGUAGES.

"THE FOREIGN LANGUAGE CAPABILITY OF OUR COUNTRY IS POOR AND GROWING WORSE," SEN. BOBBY R. INMAN, DEPUTY DIRECTOR OF THE CIA, TOLD A CONGRESSIONAL PANEL. HE CALLED FOR "DECISIVE ACTION" BY THE GOVERNMENT TO HELP REVERSE THE TREND.

INMAN JOINED PENTAGON OFFICIALS IN TESTIFYING BEFORE THE HOUSE POSTSECONDARY EDUCATION SUBCOMMITTEE DURING HEARINGS ON A BILL INTRODUCED BY THE PANEL'S CHAIRMAN, REP. PAUL SIMON, D-ILL., WHICH WOULD PROVIDE \$80 MILLION A YEAR IN FEDERAL GRANTS TO SCHOOLS AND COLLEGES TO PROMOTE EXPANDED FOREIGN LANGUAGE PROGRAMS.

INMAN SAID HE WAS LIMITED IN WHAT HE COULD DISCLOSE PUBLICLY "ABOUT THE STATISTICAL EFFECT DECLINING LANGUAGE FOREIGN LANGUAGE ABILITY HAS HAD ON OUR OPERATIONS. SUFFICE IT TO SAY THAT WE HAVE BEEN IMPACTED SEVERELY."

"ALTHOUGH WE HAVE A GREAT MANY ANALYSTS AND INTELLIGENCE OFFICERS WHO HAVE SOME FOREIGN LANGUAGE ABILITY, MANY DO NOT HAVE THE PROFESSIONAL LEVEL OF COMPETENCE NEEDED TO CONDUCT THEIR JOBS," THE CIA OFFICIAL SAID.

HE ADDED THAT "IN THE 'OPERATIONS' AREA, WE ARE NOW LOSING MANY OF OUR MOST EXPERIENCED PEOPLE WHO HAVE HAD 20 OR 30 YEARS OF SERVICE USING A SECOND OR THIRD LANGUAGE. REPLACEMENT OF THESE PEOPLE HAS BEEN MADE DIFFICULT BY THE FACT THAT MANY UNIVERSITIES AND COLLEGES NO LONGER HAVE FOREIGN LANGUAGE REQUIREMENTS AS PART OF THEIR MANDATORY CURRICULUM."

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NEW YORK TIMES
8 JULY 1981

Ex-Rand President Chosen To Head New C.I.A. Panel

By JUDITH MILLER
Special to The New York Times

WASHINGTON, July 7 — The Reagan Administration has selected Henry S. Rowen to head a newly created National Intelligence Council at the Central Intelligence Agency, Administration officials said today.

Mr. Rowen, a former president of the Rand Corporation who resigned in 1971, partly because of Pentagon dissatisfaction with Rand's security arrangements for the Pentagon papers, has until recently been a professor at Stanford University's Graduate School of Business. He has already begun working at the C.I.A., but his appointment has not been announced.

According to Administration officials, William J. Casey, the Director of Central Intelligence, chose Mr. Rowen for the post and decided to create the council to upgrade the system under which national intelligence estimates are produced.

Preparation of national intelligence estimates, which are supposed to be comprehensive studies of an issue or subject that reflect the views of the entire intelligence apparatus, has been a source of bitterness with intelligence officials for nearly eight years. Mr. Casey recently told C.I.A. officials in an agency newsletter that the system had become "slow, cumbersome and inconsistent with providing the policy maker with a timely, crisp forecast that incorporates clearly defined alternative views."

Critics of the process have also charged that the estimates have predominantly reflected C.I.A. views, with important dissents from other intelligence agencies relegated to footnotes. Stansfield Turner, Director of Central

Intelligence in the Carter Administration, was accused by some intelligence officials of distorting estimates to make them dovetail with the Carter Administration's foreign policy, an allegation that Mr. Turner denied, although he acknowledged that he had personally rewritten estimate papers.

Mr. Rowen himself has been a vocal critic of the intelligence estimates system, especially of what he has characterized as the C.I.A.'s optimistic assessments of Soviet military strength in the past. Mr. Rowen, an Oxford-trained economist, served as Deputy Assistant Secretary of Defense under Robert S. McNamara from 1961 to 1965, and became president of Rand in 1966.

Separate Views Encouraged

Under the new system, the council will be composed of those national intelligence officers charged with producing the estimates. They will report directly to Mr. Casey and to Bobby R. Inman, the C.I.A.'s Deputy Director.

Senate critics of the agency, such as Daniel Patrick Moynihan, Democrat of New York, and Malcolm Wallop, Republican of Wyoming, have urged Mr. Casey to encourage the intelligence agencies to offer separate views and estimates. Several officials who follow intelligence matters closely said that they doubted that the new council would lead to such a debate about the estimates.

"I fear that this means business as usual," one Administration official observed.